

**EXAMINING THE PERCEPTION OF ISLAMIC BANKS
CUSTOMERS IN KEDAH STATE ON THE MUDARABAH
CONTRACT AND ITS APPLICATION BY ISLAMIC BANKS**

**BY
ISMAIL AHMED ALI GAANI
815714**

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ABSTRACT

It is undeniable that the impressive growth and development of Islamic financial institutions in Malaysia is due to the fact that Malaysian government put in place an effective and comprehensive legal framework. 2013, was a landmark in Malaysia Islamic financial service industry, where Malaysia parliament enacted Islamic Financial Service Act (IFSA) that ensures shariah compliant, financial stability and protect the rights and interest of financial consumers. Under IFSA, Islamic banks should use only mudarabah in their investment accounts. Therefore, the overall aim of this study is to examine the perceptions of Islamic banks customers on the concept, applications and implications of mudarabah (profit sharing) contract. The study has used a survey, where questionnaires were distributed to 200 respondents. Descriptive statistics, factor analysis, independent t-test and ANOVA were used in data analysis. The results of factor analysis reveal that highly level of awareness among customers on the concept of mudarabah, its applications in Islamic banking products and services; and its implications to customers, for e.g. in the form of offering high returns positively influence customers perception towards mudarabah related products and services. In other words, the more the customers are informed about the concept of mudarabah, its application in banking products and its implication to them, the more positive perception they have towards mudarabah related products and services. In addition, the independent t-test and ANOVA results reveal that there are no significant difference between gender, race, marital status, and job sectors in relation to the level of their awareness towards mudarabah contract. However there are significant different between customer's level of education and level of income and customer's perception towards mudarabah related products. Meaning the highly educated and highincome respondents are more aware about the concept of mudarabah, its applications and implications. These in turns positively influence their perception towards mudarabah related products and services. Therefore, policy makers and financial institutions should find ways to increase on the level of awareness of customers on the concept of mudarabah, its applications and implications. BNM should issue effective guidelines for Islamic banks to explain to customers the concept, applications and implications of any contract before offering the products to the customers. Bankers should educate their customers on various Islamic contracts they used so that the customers become fully aware on their concept, applications and implications before subscribing to any Islamic banking products and services.

Keywords: Mudarabah (profit sharing), perception, concept, application, implication

ABSTRAK

Tidak dapat dinafikan bahawa pertumbuhan yang memberangsangkan dan perkembangan dalam institusi kewangan Islam di Malaysia adalah disebabkan oleh kerajaan Malaysia menyediakan rangka kerja undang-undang yang berkesan dan komprehensif. Tahun 2013, merupakan satu mercu tanda dalam industri perkhidmatan kewangan Islam Malaysia, di mana Parlimen Malaysia telah menggubal Akta Perkhidmatan Kewangan Islam (IFSA) yang memastikan ianya berlandaskan syariah, kestabilan kewangan dan melindungi hak-hak dan kepentingan pengguna kewangan. Di bawah IFSA, bank Bumiputra hanya perlu menggunakan sistem mudarabah dalam akaun pelaburan mereka. Oleh itu, keseluruhan matlamat kajian ini adalah untuk mengkaji persepsi pelanggan bank-bank Bumiputra terhadap konsep, aplikasi dan implikasi Mudarabah (perkongsian keuntungan) kontrak. Kajian ini telah menggunakan kaedah kaji selidik, di mana borang soal selidik telah diedarkan kepada 200 orang responden. Statistik deskriptif, analisis faktor, ujian-t bebas dan ANOVA telah digunakan dalam analisis data. Keputusan analisis faktor menunjukkan bahawa tahap kesedaran yang tinggi di kalangan pelanggan terhadap konsep mudarabah, aplikasi dalam produk dan perkhidmatan perbankan Islam; dan implikasinya kepada pelanggan. Misalnya, menawarkan pulangan yang tinggi secara positif mempengaruhi persepsi pelanggan terhadap produk dan perkhidmatan yang berkaitan dengan mudarabah. Dalam erti kata lain, apabila lebih banyak pelanggan dimaklumkan mengenai konsep mudarabah, penggunaannya dalam produk perbankan dan implikasinya kepada mereka, persepsi yang lebih positif akan terbentuk terhadap produk dan perkhidmatan yang berkaitan dengan mudarabah. Di samping itu, keputusan ujian-t bebas dan ANOVA telah menunjukkan bahawa tiada perbezaan yang signifikan antara sektor pekerjaan, jantina, bangsa, taraf perkahwinan, yang berhubung dengan tahap kesedaran mereka terhadap kontrak mudarabah. Walau bagaimanapun terdapat perbezaan yang signifikan antara tahap pendidikan dan pendapatan pelanggan serta persepsi pelanggan terhadap produk berkaitan dengan Mudarabah (perkongsian keuntungan). Ini jelas menunjukkan bahawa responden yang berpendapatan tinggi dan berpendidikan tinggi akan lebih sedar tentang konsep mudarabah, aplikasi dan implikasinya. Perkara ini akan mengubah pengaruh positif berkenaan persepsi mereka terhadap produk dan perkhidmatan yang berkaitan mudarabah. Oleh itu, penggubal dasar dan institusi kewangan perlu mencari kaedah untuk meningkatkan tahap kesedaran pelanggan kepada konsep mudarabah, aplikasi dan implikasinya. BNM perlu mengeluarkan garis panduan yang berkesan bagi bank-bank Bumiputra untuk menjelaskan kepada pelanggan mengenai konsep, aplikasi dan apa-apa implikasi kontrak sebelum menawarkan produk kepada pelanggan. Pihak bank perlu mendidik pelanggan mereka mengenai pelbagai kontrak Islam yang mereka gunakan supaya pelanggan menyedari dan memahami sepenuhnya tentang konsep, aplikasi dan implikasi sebelum melanggan terhadap mana-mana produk dan perkhidmatan perbankan Islam.

Kata kunci: Mudarabah (perkongsian keuntungan), persepsi, konsep, aplikasi, implikasi

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Ismail Ahmed Ali Gaani
Islamic Business School
University Utara Malaysia

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LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
ATM	Automated Teller Machine
BIMB	Bank Islam Malaysia Berhad
BMMB	BankMuamalat Malaysia Berhad
BNM	Bank Negara Malaysia
DIB	Dubai Islamic Bank
IDB	Islamic Development Bank
IFSA	Islamic Financial Service Act
IFSB	Islamic Financial Service Board
INCEIF	International Centre for Education in Islamic Finance
IPO	Initial Public Offer
ISRA	International <i>Shari'ah</i> Research Academy
IBI	Inter-Bank Investment
MISB	Mit-Ghamr Islamic Savings Bank
PIDM	PerpadananInsurans Deposit Malaysia
PLS	Profit and Loss Sharing
PSIA	Profit-Sharing Investment Accounts
SAC	<i>Shari'ah</i> Advisory Council
SPSS	Statistical Package Social Science
UAE	United Arab Emirate

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

The concept of Islamic banking is fundamentally based on the foundation that Allah (S.W.T) forbids interest (*Riba*) and allows the trade and business. Al-Quran says: "Those who take riba (usury or interest) will not stand but as stands the one whom the demon has driven crazy by his touch. That is because they have said: "Trading is but like riba." And Allah has permitted trading, and prohibited riba. So, whoever receives an advice from his Lord and stops, he is allowed what has passed, and his matter is up to Allah. And the ones who revert back, those are the people of Fire. There they remain forever" (*Al-Baqarah*, 2:275).

Thus, in order to promote trade, shariah establishes underlying principles governing Islamic finance which include: (i) the prohibition of *Riba*(usually interpreted as usury or interest) and the removal of debt-based financing; (ii) the prohibition of *Gharar*, encompassing the full disclosure of information, removal of asymmetric information in contracts and the avoidance of risk-taking; (iii) the exclusion of financing and dealing in activities and commodities regarded as sinful or socially irresponsible (such as gambling, alcohol and pork); (iv) an emphasis on risk-sharing, the provider of financial funds and the entrepreneur share business risk in return for a pre-determined share of profits and

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